

USAID/East Timor

Annual Report

FY 2004

June 15, 2004

Please Note:

The attached RESULTS INFORMATION is from the FY 2004 Annual Report and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Annual Report is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

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East Timor

Performance:

USAID, through the Offices of Disaster Assistance (OFDA), Food for Peace (FFP) and Transition Initiatives (OTI), provided substantial assistance to East Timor following the violence and destruction of September 1999. Since then, a \$25 million annual Congressional earmark of Economic Support Funds (ESF) has provided the needed resources for USAID to mount a strong development program to the new nation. This was accomplished within the context of the current FY 2002 - FY 2004 Transition Strategy. The strategy is designed to be flexible in order to respond and provide critical assistance to East Timor at its birth and initial phase of nationhood. A major assumption under the Transition Strategy is that economic recovery and strengthening democracy are critical to increasing East Timor's prospects for stability and security. The Transition Strategy focuses on two strategic objectives, supported by various activities and a critical small grants program:

Strategic Objective 1: Revitalization of the local economy by strengthening the coffee cooperatives toward sustainability, increasing coffee exports, expanding rural employment, rehabilitating selected rural infrastructure, and increasing workers' productivity; and

Strategic Objective 2: Strengthening democratic institutions by fostering free and fair elections, the drafting of a democratic constitution, civil society and citizen participation in responsive and transparent governance, a professional judiciary, and an independent media.

The Economic Growth program encouraged the development of a robust free-market economy that is open to trade and foreign investment that will create jobs, reduce poverty, and spur positive economic growth. The economic growth portfolio contains many activities that encourage free-market agricultural and economic policies that support coherent and transparent investment and commercial legislation, increased government revenue-generation from private sector, favorable environment and fair treatment for foreign investors, and development of property titling/registration policies and laws are essential foci of this SO. Increasing financial services, promoting the development of private enterprises to produce and sell goods (particularly agricultural products for export and for domestic consumption), and helping develop necessary market linkages for private sector operation are the other main priorities for the EG office.

Building on the experience and partnership with the Office of Transition Initiatives (OTI) which successfully implemented 386 grants between November 1999 and November 2001, USAID/East Timor has managed the Small Grants Program (SGP) since December 2001. The program has awarded 206 in-kind and cash grants. Sixty-four grants (for a total of \$3.4 million) have supported economic growth objectives. For example:

- Key Timor Sea agreements
- National policies regarding land tenure and investments
- Border demarcations
- The establishment of a National Consumer Price Index
- The establishment of a Microfinance Working Group
- Support to vulnerable groups in rice production and fisheries
- Marketing and business training

The Democracy and Governance program supported the development of democratic systems in East Timor by increasing citizen participation in governance, improving citizen's access to justice, and assisting the consolidation of government and independent institutions. Efforts were directed to the strengthening of basic democratic values including advocacy, representation, accountability, transparency, access to

justice, and the protection of civic and human rights. Specifically USAID supported the expansion of public defenders, legal aid and dispute resolution service; developed the institutional capacities of civil society organizations for advocacy and constructive engagement with government; assisted a network of community providers to care for survivors/victims of torture; improved civilian oversight of the security forces, supported political party development, supported the Women's Caucus to promote women candidates; improved the journalistic and management skills of targeted media outlets; provided technical assistance and material support to the national public broadcast service; conducted a long-term civic education and grassroots advocacy program, known as a Civic Forum, in all 12 districts outside the capital; and provided legislative analysis and drafting training to parliamentarians.

One hundred and twenty-two grants provided support to organizations promoting Democracy and Governance objectives for a total of \$4,053,636. For example:

Monitoring and providing public information on the new judicial system;

Infrastructure support for the public defenders' office and the Bauhaus District Court;

Civic and human rights information reaching most households through the children's magazine "Leafed" distributed to all primary schools in the country;

GIS and cadastre systems in the Land and Property Department; and

Mitigation of potential conflict through support of Truth and Reconciliation Commission and the Presidential Veterans' Commissions

This responsive grant mechanism has provided USAID/East Timor with the flexibility and speed to address urgent needs of the public sector and support critical and time-sensitive local initiatives.

In addition USAID, working in close cooperation with other donors, is a major contributor to the Transitional Support Program (TSP), which provides direct budget support to East Timor through a funding mechanism managed by the World Bank. The program provides the opportunity for donors to participate in a semi-annual review of East Timor's progress in implementing its National Development Plan. Through a Public International Organization (PIO) grant, USAID committed \$12 million for this program distributed in FY 2002- FY 2004.

Country Close and Graduation:

No Country Close Out or Graduation is being considered at this time. This issue should certainly be considered in the future as anticipated oil and gas revenues from the Timor Sea come on line.

Results Framework

472-001 Revitalization of the Local Economy

SO Level Indicator(s):

Number of Jobs

IR1 Business Environment Improved

IR2 Markets Improved and Production of Selected Products Increased

472-002 Selected Development Needs Addressed

472-003 Democratic Development Strengthened

SO Level Indicator(s):

Completion of Government Action Matrix (%) (Source: WB)

IR1 Increased Public Participation in Governance

IR2 Improved Citizen Access to Justice

IR3 Strengthened Independent and Government Institutions

472-xxx 498-022 ANE Regional - Stabilize Population Growth and Protect Human Health